

Message Text

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C O N F I D E N T I A L STATE 075820

LIMDIS, CAPETOWN FOR EMBASSY USEEC

E.O. 11652: XGDS-1

TAGS: ECON, SF

SUBJECT: REPORT ON FIVE POWER TALKS IN WASHINGTON ON
ECONOMIC RELATIONS WITH SOUTH AFRICA

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1. BEGIN SUMMARY: FIVE POWER TALKS IN WASHINGTON MARCH 16-17 TO DISCUSS PROS AND CONS OF ECONOMIC SANCTIONS AGAINST SOUTH AFRICA WERE USEFUL AND REVEALING. ALL FIVE AGREED IT IS IMPORTANT NOT TO BE CAUGHT OFF GUARD BY INITIATIVES OR UN RESOLUTIONS WHICH MIGHT PUSH US INTO ACTIONS AGAINST SOUTH AFRICA WHICH WE COULD NOT OR SHOULD NOT SUPPORT. IT WAS ALSO AGREED THAT NONE OF US WAS CONTEMPLATING A COMPLETE ECONOMIC EMBARGO AGAINST SOUTH AFRICA BUT POSITIONS BEYOND THAT WERE EXTREMELY VARIED.

2. THE FRENCH URGED THE GROUP TO ESTABLISH AN OVERALL PLAN OF COMMON OBJECTIVES AND TACTICS AND TO AGREE NOT TO TAKE ANY UNILATERAL ACTIONS. THEY ARGUED THAT WE MUST AVOID A "SECTORAL" APPROACH IN WHICH ACTION WOULD BE TAKEN IN SEPARATE SECTORS SUCH AS PETROLEUM OR NUCLEAR TRADE AND SAID THAT ANY MEASURES TAKEN SHOULD NOT AFFECT PAST OR PRESENT TRADE/INVESTMENT CONTRACTS. WHEN PRESSED, THE FRENCH OFFERED TO JOIN OTHERS IN RESTRAINING ECONOMIC ACTIVITIES IN ONLY A FEW SELECT AREAS (E.G. LIMITING EXPORT CREDITS TO FIVE YEARS) WHICH APPEARED TO US WOULD HAVE LITTLE REAL EFFECT ON THEIR ECONOMIC TIES WITH SOUTH AFRICA.

3. U.K. OFFICIALS NOTED THE OVERRIDING IMPORTANCE OF BRITAIN'S INVESTMENT AND COMMERCIAL TIES WITH SOUTH AFRICA, CITED THE NEED TO HAVE "EQUALITY OF SACRIFICE," AND EMPHASIZED THAT BRITAIN COULD NOT SUPPORT ANY SIGNIFICANT INTERFERENCE WITH TRADE, REDUCTION OF GOVERNMENT SUPPORTED EXPORT PROMOTION MEASURES, OR CURTAILMENT OF PUBLIC SUPPORTED CREDIT FACILITIES. THE BRITISH ALSO ASKED EVERYONE TO ESCHUE ANY UNILATERAL ACTION. GERMAN OFFICIALS SAW LITTLE THEY COULD DO, ASIDE FROM SOME POSSIBLE REDUCTION IN EXPORT CREDIT ACTIVITIES. THE CANADIANS NOTED
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CREDIT RESTRICTION AND OTHER ACTIONS TAKEN IN DECEMBER 1977 AND URGED OTHERS TO SUPPORT THEIR LEAD IN PHASING OUT PUBLIC SUPPORT OF TRADE WITH SOUTH AFRICA.

4. ON THE U.S. SIDE, WE EXPRESSED AGREEMENT WITH THE GOAL OF COORDINATING OUR POSITIONS REGARDING PROSPECTIVE ECONOMIC MOVES AGAINST SOUTH AFRICA, BUT INDICATED THAT THE U.S. COULD NOT AGREE TO AN IRON CLAD "LOCK STEP" APPROACH AMONG THE FIVE, ESPECIALLY IF THIS MEANT THAT THE ACTIONS CONTEMPLATED WOULD BE THE LEAST COMMON DENOMINATOR OF POSSIBLE MOVES. ALSO, NOTING THAT EACH GOVERNMENT'S RELATIONS WITH SOUTH AFRICA HAD UNIQUE FEATURES, WE SUGGESTED THAT IN SOME CASES IT MIGHT BE PREFERABLE TO HANDLE RELATIONS WITH S.A. IN DIFFERING WAYS, ALTHOUGH IT WOULD BE IMPORTANT FOR US TO KEEP ONE ANOTHER FULLY APPRISED OF PLANNED ACTIONS TO ACHIEVE MAXIMUM COORDINATION. CANADIANS GENERALLY AGREED WITH US.

5. WE DECLINED THE FRENCH DELEGATE'S SUGGESTION THAT THE FIVE POWERS AGREE ON THE SPOT TO OPPOSE ANY MOVE IN THE UN TO CALL FOR ECONOMIC SANCTIONS AGAINST SOUTH AFRICA ON THE GROUNDS THAT THE GOVERNMENT'S APARTHEID ACTIONS CONSTITUTED A THREAT TO WORLD PEACE AND SECURITY AS DEFINED UNDER CHAPTER 7 OF THE UN CHARTER. WE NOTED THAT THE MEETING HAD BEEN CALLED FOR AN EXCHANGE OF VIEWS AND DATA, NOT TO REACH FIRM AGREEMENTS, AND THAT CONSIDERA-

TION OF SUCH POLICY QUESTIONS WOULD REQUIRE CAREFUL CON-

SIDERATION BY MEMBER GOVERNMENTS. (THE UK AND GERMANY SEEMED PREPARED TO JOIN FRANCE IN RULING OUT CHAPTER VII, WHEREAS WE AND THE CANADIANS SAID WE COULD NOT EXCLUDE SUCH ACTION ABSOLUTELY UNDER ALL CIRCUMSTANCES, EVEN THOUGH WE WOULD ENTERTAIN ANY CONSIDERATION OF CHAPTER VII MOST RELUCTANTLY.)

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6. THE FRENCH THEN PRESSED FOR ANOTHER MEETING OF THE FIVE BE HELD IN A FEW WEEKS TIME TO CONSIDER AND DECIDE HOW MEMBER GOVERNMENTS WOULD RESPOND TO PENDING UN RESOLUTIONS. WE AGREED TO COMMUNICATE WITH EACH OTHER LATER.

7. WELCOME REACTION BY POSTS TO FOREIGN OFFICIAL-' ACCOUNTS OF WHAT IS "THINKABLE" AND WHAT IS "NOT THINKABLE " IN TERMS OF ECONOMIC POLICY CHANGES TOWARD S.A.

8. FOR YOUR INFORMATION, WE ARE CONTEMPLATING ANOTHER MEETING POSSIBLY IN TWO TO THREE WEEKS, PROBABLY IN NEW YORK (DESPITE UK OBJECTIONS THAT NY IS GLASS HOUSE WHERE NOTHING CAN BE KEPT CONFIDENTIAL)TO DISCUSS POSSIBLE FIVE POWER RESPONSES TO DRAFT UN RESOLUTIONS ON SOUTH AFRICA OR NAMIBIA. END SUMMARY

9. STATE DEPARTMENT OFFICIALS, JOINED BY OBSERVERS FROM THE DEPARTMENTS OF COMMERCE AND TREASURY, MET WITH THEIR COUNTERPARTS FROM CANADA, FRANCE, GERMANY AND THE UK ON MARCH 16 AND 17 TO CONSIDER PROS AND CONS OF POSSIBLE ECONOMIC ACTIONS AGAINST SOUTH AFRICA. MEETING WAS FOLLOW-UP TO LUNCHEON SESSION IN NEW YORK ON FEBRUARY 13 OF THE FOREIGN MINISTERS OF THE WESTERN MEMBERS OF THE UN SECURITY COUNCIL. PARTICIPANTS ALL AGREED IT WAS IMPORTANT MEMBER GOVERNMENTS NOT BE CAUGHT OFF GUARD BY INITIATIVES OR UN RESOLUTIONS PROPOSED BY OTHER PARTIES WHICH MIGHT PUSH US INTO ACTIONS AGAINST SOUTH AFRICA WHICH WE COULD NOT OR SHOULD NOT SUPPORT. ALL AGREED NONE NOW CONTEMPLATING COMPLETE ECONOMIC EMBARGO AGAINST SOUTH AFRICA. BEYOND THAT, HOWEVER, THERE EMERGED WIDE VARIATIONS ON POSITIONS.

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10. IDENTIFICATION OF FOREIGN PARTICIPANTS AND AGENDA SHOWN IN STATE 064166 AND 054137 RESPECTIVELY. PLEASE NOTE NEED TO MAINTAIN CONFIDENTIALITY OF THESE MEETINGS AND THE DISCUSSIONS REPORTED HEREIN.

11. DEPUTY ASSISTANT SECRETARY IN AFRICA BUREAU, WILLIAM EDMONDSON (WHO CHAIRED MEETING), NOTED DECISION TO ARRANGE MEETING OF "EXPERTS" FOLLOWED AGREEMENT OF FOREIGN MINISTERS OF THE FIVE TO ARRANGE EXCHANGE OF VIEWS ON ECONOMIC RELATIONS WITH SOUTH AFRICA AND WISH TO HAVE CLOSE COORDINATION ON RESPONSES TO PRESSURE FOR ECONOMIC ACTIONS. HE SAID U.S. IN DEALING WITH SOUTH AFRICA HAD THE FOLLOWING PRINCIPLES IN MIND:

A. IN VIEW OF U.S. CONCERN FOR HUMAN RIGHTS, WE COULD NOT REGARD PASSIVELY THE CURRENT SITUATION IN S.A.

B. WE WERE SEEKING A PEACEFUL TRANSITION TOWARD FULL POLITICAL, SOCIAL AND ECONOMIC PARTICIPATION IN SOUTH AFRICA'S SOCIETY FOR ALL SOUTH AFRICAN PEOPLE.

C. IN ABSENCE OF IMPROVEMENTS ON HUMAN RIGHTS, WE BELIEVED USG SHOULD CONSIDER REDUCING INVOLVEMENT IN S.A.

D. AS U.S. VICE PRESIDENT STATED IN VIENNA LAST

YEAR, U.S. HAD NO SPECIFIC BLUEPRINT OR TIMETABLE FOR CHANGE.

E. ALTHOUGH THERE WAS GROWING U.S. PUBLIC DISAPPROVAL REGARDING SOUTH AFRICA'S APARTHEID POLICIES, THERE WAS NOT FULL AGREEMENT ON MEASURES TO BE EMPLOYED TO REGISTER OUR CONCERN.

F. ACTIONS CONTEMPLATED HAD TO BE MEANINGFUL, NOT JUST EASIEST OR CHEAPEST.
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G. WE WISHED TO AVOID POLICIES WHICH WERE MERELY REACTIVE TO SPECIFIC DEVELOPMENTS IN SOUTH AFRICA AND PREFERRED TO SEND A SERIES OF CAREFULLY CALCULATED SIGNALS TO THE S.A. GOVERNMENT AND PEOPLE OVER A PERIOD OF TIME.

H. THE FAILURE OF THE SAG TO INTRODUCE REMEDIAL MEASURES AND OUR DELAY IN DISTANCING OURSELVES FROM THE SAG COULD STRAIN THE CREDIBILITY OF OUR PRONOUNCEMENTS OF OPPOSITION TO APARTHEID; THE USG WAS BEING CHALLENGED BY THE U.S. CONGRESS, THE PUBLIC AND THE UN TO BACK UP OUR AVOWED POSITION.

I. THE PROSPECTS THAT WE MIGHT BE FORCED TO REACT TO POSSIBLY HASTY OR HARSH RESOLUTIONS IN THE UN ARGUED FOR PROMPT FORMULATION OF POLICIES AND CAREFUL CONSIDERATION OF THE TIMING OF THEIR IMPLEMENTATION.

12. WITH REGARD TO ISSUE OF TRADE BETWEEN THE U.S. AND

SOUTH AFRICA, U.S. SPOKESMAN NOTED FOLLOWING:

A. AS EXPRESSION OF DISAPPROVAL OF APARTHEID, U.S. DURING PAST 12 YEARS HAD LIMITED PUBLICLY-FINANCED SUPPORT OF TRADE PROMOTION TO LOW LEVEL TRADE FACILITATION. FOR EXAMPLE, U.S. DID NOT HAVE TRADE CENTERS OR SEND TRADE MISSIONS;

B. U.S. HAD VOLUNTARILY EMBARGOED ARMS SHIPMENTS TO S.A. FOR PAST 15 YEARS AND OBSERVES RECENT UN MANDATORY ARMS EMBARGO; IN NOVEMBER 1977 U.S. ALSO UNILATERALLY PROHIBITED EXPORTS OF ALL COMMODITIES AND TECHNICAL DATA DESTINED TO OR FOR USE BY S.A. POLICE OR MILITARY;

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C. S.A. SHARE OF U.S. TRADE WITH AFRICA HAS FALLEN FROM 31.5 PERCENT IN 1965 TO 12.7 PERCENT IN 1976 (WITH THE SHIFT LARGELY ATTRIBUTABLE TO INCREASED PURCHASES OF NIGERIAN OIL); U.S. EXPORTS TO S.A., WHILE DECLINING, AMOUNTED TO \$1.1 BILLION IN 1977 (PRIMARILY HIGHER TECHNOLOGY GOODS);

D. S.A. REMAINS VERY IMPORTANT SOURCE OF CERTAIN MINERALS AND PRESENTLY PROVIDES SIGNIFICANT PROPORTION OF U.S. NEEDS OF CHROMIUM, MANGANESE PLATINUM GROUP METALS (USED IN CATALYTIC CONVERTERS) VANADIUM AND ANTIMONY.

13. THEORETICALLY POSSIBLE POLICY OPTIONS CONSIDERED BY U.S. WITH RESPECT TO TRADE CURTAILMENT INCLUDED:

A. TERMINATION OF REMAINING OFFICIAL TRADE PROMOTION ACTIVITIES;

B. PROHIBITION OF SALES TO S.A. AGENCIES ASSOCIATED WITH APARTHEID.

C. PROHIBITION OF EXPORTS OF HIGH TECHNOLOGY ITEMS.

D. EMBARGO ON SHIPMENTS OF SELECTED GOODS, E.G., OIL ALTHOUGH U.S. ADDED THIS IDEA NOT SEEN AS ADVISABLE.

14. U.S. NOTED THAT IMPACT OF POSSIBLE ACTIONS ON TRADE WOULD VARY. TERMINATION OF TRADE PROMOTION WOULD HAVE MODEST PSYCHOLOGICAL IMPACT. EMBARGO OF TRADE WOULD BE EFFECTIVE ONLY IF DONE IN MULTILATERAL CONTEXT AND COULD POSE PROBLEMS FOR PEOPLE OF S.A. AND NEIGHBORING COUNTRIES. EMBARGO ON PURCHASES OF S.A. MINERALS COULD SERIOUSLY AFFECT U.S. DOMESTIC INDUSTRIES AND EMPLOYMENT.

15. ON PRIVATE INVESTMENT, U.S. NOTED CURRENT POLICY, DATING BACK TO 1964, WAS TO NEITHER ENCOURAGE NOR DIS-

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COURAGE INVESTMENT IN S.A. AND U.S. HAS ENCOURAGED AMERICAN FIRMS IN S.A. TO FOLLOW ENLIGHTENED EMPLOYMENT PRACTICES. BOOK VALUE OF U.S. INVESTMENT IN S.A. HAS RISEN FROM \$490 MILLION IN 1966 TO \$1.7 BILLION IN 1976. THIS AMOUNTED TO ABOUT 16 PERCENT OF TOTAL DIRECT FOREIGN INVESTMENT IN S.A. POLICY OPTIONS AVAILABLE ON INVESTMENT COULD INCLUDE EFFORT TO

- ENCOURAGE MORE ACTIVELY U.S. FIRMS TO SUBSCRIBE TO CODE OF CONDUCT
- DISCOURAGE NEW INVESTMENT IN S.A.;
- PROHIBIT, BY LEGISLATION, NEW INVESTMENT;
- DENY FOREIGN TAX CREDITS (BY LEGISLATION).

16. REGARDING CODE OF CONDUCT, U.S. INFORMALLY PASSED COPY OF U.S. PROPOSAL TO CANADIAN, GERMAN, AND UK DELEGATES (FRENCH GROUP WAS LATE ARRIVING THAT DAY FROM LUNCHEON). DOCUMENT SUGGESTED THAT REPRESENTATIVES OF FIVE BELIEVE COMMON VOLUNTARY CODE OF CONDUCT FOR FOREIGN FIRMS OPERATING IN S.A. WOULD BE ONE MEANS TO ACHIEVE OUR OVERALL GOALS; SUCH CODE SHOULD DRAW ON EXISTING MULTILATERAL AND UNILATERAL CODES AND GUIDELINES; RESPONSIBILITY FOR IMPLEMENTATION WOULD BELONG TO EACH PARTICIPATING GOVERNMENT (THAT IS, WE WOULD AVOID ISSUE OF MANDATORY REPORTING); AND PROPOSED THAT FIVE HAVE FUTURE WORKING LEVEL EXCHANGES ON FEASIBILITY OF ADOPTING COMMON CODE. (BEGIN FYI: U.S. RAISED ISSUE OF CODE IN MEETING ONLY BRIEFLY SINCE

WE CONCERNED GROUP MIGHT FOCUS ON CODE AS LEAST COMMON DENOMINATOR OF POTENTIAL ECONOMIC ACTIONS. END FYI.)

17. ON OFFICIAL EXPORT CREDITS, WE NOTED THAT AS EXPRESS-
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SION OF DISAPPROVAL OF APARTHEID U.S." SINCE 1964, HAS PROHIBITED DIRECT EXIMBANK LOANS TO S.A. (BUT NOT PROHIBITED OTHER EXIM BANK FACILITIES). AS OF NOVEMBER 1977, EXIMBANK'S EXPOSURE IN S.A. WAS JUST UNDER \$203 MILLION (COMPARED WITH APPROXIMATELY \$1.5 BILLION FOR FRANCE AND GERMANY AND \$0.7 BILLION FOR THE UK). IN ADDITION, CCC AGRICULTURAL CREDITS TO S.A. IN THE PERIOD 1966 TO 1977 WAS ABOUT \$88 MILLION, MOSTLY FOR RICE SALES. WE NOTED POSSIBLE POLICY OPTIONS WHICH COULD BE CONSIDERED WITH REGARD TO CURTAILMENT OF EXIMBANK FACILITIES COULD RANGE FROM INCREASING MINIMUM CASH DOWN PAYMENT TO A COMPLETE DENIAL OF ALL OFFICIAL CREDIT FACILITIES. A UNILATERAL CURTAILMENT OF EXIMBANK COVER TO S.A. WOULD HAVE ONLY

MODEST EFFECT SINCE S.A. USE OF EUROPEAN (AND JAPANESE) CREDITS FAR EXCEED THAT OF EXIMBANK. A MULTILATERAL DENIAL WOULD CAUSE SUBSTANTIAL IMPACT AND HAVE THE DOMINO EFFECT OF REDUCING WILLINGNESS OF PRIVATE BANKS TO DO BUSINESS WITH S.A. BECAUSE OF INCREASED RISKS.

18. THE CANADIANS SAID GOC HAD STRONG INTEREST IN AFRICAN AFFAIRS. FORTY PERCENT OF CANADA'S BILATERAL AID BUDGET WENT TO BLACK AFRICAN COUNTRIES AND SUPPORT FOR HUMAN RIGHTS WAS A CENTRAL POLICY OF THE GOVERNMENT. THE GOVERNMENT THEY SAID HAD EMBARGOED ARMS TO S.A., OFFERED AID TO COUNTRIES SURROUNDING S.A., RECOGNIZED ANGOLA AND MOZAMBIQUE AND WAS SEEKING WAYS TO SIGNAL TO S.A. AFTER THE BIKO AFFAIR THAT NO LONGER WOULD BUSINESS AS USUAL BE TOLERATED. THE CANADIAN LEADER REMARKED THAT SAG WAS UNIQUE AMONG HUMAN RIGHTS TRANSGRESSORS IN THAT "ABUSES ARE GUARANTEED" TO THE MAJORITY OF THE PEOPLE IN COUNTRY FROM "CRADLE TO THE GRAVE".

19. CANADIANS RECALLED THAT IN DECEMBER 1977 THE GOC, AFTER A SERIES OF CABINET MEETINGS, ANNOUNCED ACTIONS AGAINST S.A. PRINCIPALLY TO:

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A. PHASE OUT GRADUALLY GOVERNMENT TRADE PROMOTION IN S.A.;

B. CURTAIL PUBLIC EXPORT CREDIT (EDC) ON GOVERNMENT ACCOUNT FACILITIES (THE CANADIANS ACKNOWLEDGED THAT THIS FACILITY NOT USED FOR S.A. AND CREDIT WAS STILL AVAILABLE UNDER CORPORATE ACCOUNT)

C. PLAN TO ISSUE "VOLUNTARY" CODE OF CONDUCT FOR BUSINESSES OPERATING IN S.A., POSSIBLY BY APRIL (BUT GOC COULD NOT PRESENTLY SUPPORT EC CODE BECAUSE OF REPORTING REQUIREMENTS);

D. REQUIRE SOUTH AFRICANS VISITING CANADA AFTER MAY 10 TO OBTAIN NON-IMMIGRANT VISA.

CANADA PRESENTLY WAS STUDYING ADDITIONAL MEASURES INCLUDING CUTOFF OF PREFERENTIAL TARIFFS ON S.A. GOODS AND DISCOURAGEMENT OF INVESTMENT. THE PUBLIC REACTION TO CURRENT MOVES, THE CANADIANS SAID, WAS SPLIT 50/50.

20. CANADIANS SAID IMPORTS FROM S.A. WERE ABOUT \$150/ \$160 MILLION ANNUALLY OF WHICH 60 PERCENT SUGAR. EXPORTS AMOUNTED TO APPROXIMATELY \$95 MILLION ANNUALLY EQUIVALENT TO 8000 MAN YEARS OF EMPLOYMENT. CANADIAN INVESTMENT IN S.A. ABOUT \$100 MILLION, NONE PUBLICLY GUARANTEED.

21. CANADIANS SAID THEY SOMEWHAT DISCOURAGED BY HESITATION SOME MEMBERS IN MEETING TO MAKE STRONGER COMMITMENTS; BELIEVED IT NOT REPEAT NOT ADVISABLE TO VIEW CODE OF CONDUCT AS BEING RESPONSIVE TO INITIATIVES IN UN FOR ACTION (INASMUCH AS AFRICANS OFTEN NOT KEEN ON PRIVATE INVESTMENT UNDER ANY CIRCUMSTANCES); THOUGHT IT USEFUL TO CONFIDENTIAL

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INCLUDE SCANDANAVIANS, DUTCH, JAPANESE AND POSSIBLY OTHERS IN ANY PROPOSED MULTILATERAL ACTIONS; NOTED THAT IN RHODESIA AND NAMIBIA WE OPENLY ESPOUSED MAJORITY RULE AS OBJECTIVE AND ASKED IF THIS WAS OBJECTIVE OF MEMBERS IN S.A., AND; SUGGESTED MEMBERS COULD PUSH S.A. TO TAKE MEASURE TO REMOVE JOB RESERVATION ACT AND BRING ABOUT OVER FIVE YEAR PERIOD EQUALIZATION OF WAGES AND EQUAL PER CAPITA EXPENDITURES ON EDUCATION. REPEATEDLY GOC MEMBERS URGED OTHERS TO SUPPORT CANADIAN LEAD IN PHASING OUT PUBLIC SUPPORT OF ECONOMIC TIES WITH S.A.

22. THE FRENCH DELEGATION NOTED THAT APARTHEID IN SOUTH AFRICA WAS AN INTERNATIONAL ISSUE AND AT ANY TIME ANOTHER SOWETO-LIKE OUTBURST MIGHT OCCUR WHICH COULD LEAD TO A CALL FOR SANCTIONS UNDER CHAPTER 7 OF THE UN CHARTER (RELATING TO THREATS TO WORLD PEACE AND SECURITY). THE FIVE WESTERN MEMBERS OF THE SECURITY COUNCIL SHOULD BE READY TO ACT PROMPTLY. IN 1963, THE FRENCH SAID, THEIR GOVERNMENT EMBARGOED CERTAIN ARMS SALES TO SOUTH AFRICA AND DELIVERY ON FOUR NAVAL VESSELS WAS STOPPED, ALTHOUGH THIS COSTLY TO GOF.

THE FRENCH ASKED MEMBER GOVERNMENTS TO CONSIDER WHAT POLICIES WOULD EFFECTIVELY PRESSURE S.A. TO MOVE AWAY FROM APARTHEID. THESE MEETINGS, THEY EMPHAZIED, SHOULD BE CONFIDENTIAL TO AVOID HAVING OUTSIDERS SENSE THAT WE ARE MOVING HASTILY TO ERASE A "BAD CONSCIENCE."

THE FRENCH LEADER SAID HE INTERPRETED THE MINUTE OF THE MEETING OF FOREIGN MINISTERS IN NEW YORK ON FEBRUARY 13 TO CALL FOR COORDINATED ACTION OF MEMBERS AND WESTERN SOLIDARITY TO INSURE EFFICACY OF ACTIONS. HE ADDED THAT WHILE IT WAS USEFUL FOR PARTICIPANTS TO REVIEW THE SITUATION IT WAS MORE URGENT THAT MEMBERS AGREE TO MAKE DECISIONS.

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23. THE FRENCH DELEGATION, WHEN PRESSED, OFFERED TO CONSIDER JOINING OTHERS IN RESTRAINING ECONOMIC ACTIVITIES IN A FEW SELECT AREAS:

A. LIMIT EXPORT CREDITS TO FIVE YEARS REPAYMENT

B. DENY PUBLIC GUARANTEES IN INVESTMENT (THE FRENCH NOTED THEIR INVESTMENTS WERE MODEST AND GENERALLY NOT GUARANTEED.)

C. LINK PUBLIC EXPORT CREDITS TO COMPLIANCE WITH CODE OF CONDUCT.

D. UNDER CERTAIN CIRCUMSTANCES, MIGHT EVEN CURTAIL ALL PUBLIC AND PRIVATE GUARANTEES OFFERED AGAINST INCONVERTIBILITY AND POLITICAL RISK (THIS, ACCORDING TO GOF, WOULD CAUSE BUSINESS WITH S.A. TO BE ON "CASH BASIS").

24. FRENCH EXPORTS TO S.A. WERE ABOUT 2.4 BILLION FRANCS, WITH IMPORTS ABOUT SAME. FRENCH DIRECT INVESTMENT WAS ABOUT 5 PERCENT OF TOTAL IN S.A. THE FRENCH DELEGATION NOTED CONCERN ABOUT USING SECTORAL APPROACH OF ATTEMPTING TO BRING PRESSURE BY CUTTING OFF OIL OR NUCLEAR POWER MATERIALS; SAID FRENCH CREDIT EXPOSURE IN NUCLEAR PLANT IN S.A. WAS MAJOR ELEMENT FRENCH INTERESTS; ASKED THAT EFFORTS TO CURTAIL ECONOMIC ACTIVITIES NOT AFFECT PAST OR PRESENT CONTRACTS; URGED MEMBERS TO DEVISE GLOBAL PLAN; NOTED AFRICANS EXPECTED MEMBERS TO HANDLE THE APARTHEID PROBLEM IN S.A.; SUGGESTED WE SEND SIGNALS TO S.A. TO CARRY OUT PRESCRIBED ACTIONS OVER REASONABLE TIME, FAILING WHICH MEMBERS WOULD REACT. AT CONCLUSION OF MEETING FRENCH LEADER SAID HE WAS DISTURBED THAT THERE HAD BEEN NO AGREEMENT OF MEMBERS AT LEAST TO STAND AGAINST INTRODUCTION OF CHAPTER 7 RESOLUTION IN CONFIDENTIAL

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UN. HE SAID WE NEED DEMONSTRATE TO WORLD WE ARE MAKING EFFORT TO RESPOND TO S.A. PROBLEM.

25. THE GERMAN DELEGATION NOTED THE FRG ALSO WISHED TO PRESERVE PEACE AND SECURITY IN SA, AVOID INTERNAL STRIFE, STOP OUTSIDERS FROM SETTING UP SPHERES OF INFLUENCE AND AVOID AN EAST/WEST CONFRONTATION. THE FRG VIEWED THE RIGHTS OF ALL SOUTH AFRICANS AS BEING OF FIRST IMPORTANCE. THE FRG THOUGHT, HOWEVER, THAT IT WAS PREFERABLE TO PLAY A CONSTRUCTIVE ROLE IN SUPPORTING GRADUAL EVOLUTION OF APARTHEID AND NOTED THAT IN SEEKING THIS GOAL SOME ECONOMIC PRESSURES MIGHT BE USEFUL. THE FRG'S PRESENT POLICY AGAINST SOUTH AFRICA WAS TO

A. ENFORCE ARMS EMBARGO

B. AVOID PROMOTING ECONOMIC INTERESTS

C. BEGIN PROCESS OF REDUCING TERMS EXPORT CREDIT GUARANTEE FACILITIES

D. USE LABOR/CHURCH CONTACTS TO INDUCE CHANGE

E. CONSIDER OFFERING MORE SCHOLARSHIPS FOR STUDY BY
NON-WHITES

F. SUPPORT CODE OF CONDUCT FOR BUSINESS IN S.A. AS
IMPORTANT ELEMENT OF "CONSTRUCTIVE DIALOGUE."

THE GERMANS AGREED THAT TIME WAS PRESSING BUT THOUGHT
CHANGES EVOLVING AMONG CONSTRUCTIVE FORCES IN S.A. SHOULD
BE ENCOURAGED.

26. TRADE BY GERMAN FIRMS WITH S.A. REPORTEDLY AMOUNTED
TO DM 3.1 BILLION IN 1976 OR THE EQUIVALENT OF 60,000 JOBS.
THE GERMAN BUSINESS COMMUNITY AND LABOR LEADERS, FOR
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EXAMPLE, MR. LODERER OF THE METAL WORKERS UNION, WERE
AGAINST IMPOSITION OF ECONOMIC SANCTIONS. GERMAN EXPORTS

TO S.A. WERE ABOUT 3.1 BILLION MARKS IN 1976 OR 1.2
PERCENT OF TOTAL GERMAN SALES TO THE WORLD. IMPORTS
FROM S.A. MOUNTED TO ABOUT ONE PERCENT OF ALL GERMAN
PURCHASES, PRIMARILY MINERALS, INCLUDING ABOUT 50 PERCENT
OF GERMANY'S REQUIREMENTS OF CHROMIUM, MANGANESE ORE,
PLATINUM AND URANIUM OXIDES. INVESTMENTS BY GERMANS
IN S.A. TOTALED 3.5 BILLION MARKS OF WHICH DM 621.6
MILLION WAS DIRECT TRANSFERS AND THE BALANCE REINVEST-
MENTS AND REVALUATION.

27. THE GERMAN DELEGATION NOTED THAT THE FRG DID NOT
HAVE THE INSTRUMENTS TO RESTRICT GOVERNMENT SUPPORT
FOR TRADE ALTHOUGH EFFORTS TO "HARMONIZE" EXPORT CREDIT
TERMS AMONG MEMBERS AND JAPAN COULD BE CONTEMPLATED;
INDIVIDUAL EXPORT CREDITS BY THE FRG ALREADY ARE
LIMITED TO FIVE YEARS AND TO CEILING OF 50 MILLION DM
TOTAL PER TRANSACTION IN ABSENCE OF CABINET APPROVAL;
GRANTING OF EXPORT CREDIT LINKED TO EC-9 CODE OF CONDUCT;

S.A. IS IN POSITION TO CIRCUMVENT FINANCIAL CURBS BY
TAPPING THE EURODOLLAR MARKET. ON OVERALL POLICY FRG
SAID IT IS ONE THING TO GIVE A SIGNAL TO THE SAG AND IT
IS ANOTHER THING TO SUCCEED IN CHANGING THE SAG'S POLICY;
HUMAN PSYCHOLOGY SUGGESTS WE NEED USE GENTLE PERSUASION
WITH THE SAG, AND; FRG OPPOSES THE USE OF CHAPTER 7
SANCTIONS AGAINST SOUTH AFRICA.

28. BRITISH OFFICIALS NOTED THAT UNLIKE THE GERMAN VIEW,
THE UK DID NOT PERCEIVE SINCE THE LAST ELECTION ENCOURAGING
SIGNS OF CHANGE IN S.A. ACCORDING TO UK, THE SAG WAS PRE-
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PARING FOR ECONOMIC SANCTIONS, FOR EXAMPLE, BY BUILDING UP OIL RESERVES AND PRODUCING ITS OWN ARMS. THE HISTORY OF SOUTH AFRICANS WAS THAT WHEN PUSHED TO CORNER THEY WOULD FIGHT. THE S.A. PROBLEM, CONTRARY TO SOME AFRICANS VIEW, WAS NOT A LEFTOVER COLONIAL PROBLEM AS IN RHODESIA AND MEMBERS SHOULD NOT ALLOW BLACK AFRICA TO PRESS US INTO ACCEPTING UNACCEPTABLE ECONOMIC ACTIONS AGAINST S.A. MEMBERS SHOULD ACT IN CONCERT, THE UK ADVISED, LOOKING AT THE PROBLEM AS A WHOLE AND AGREEING WHERE WE WOULD DRAW THE LINE.

29. UK OFFICIALS SAID BRITISH DIRECT INVESTMENT IN S.A. WAS VERY LARGE, AMOUNTING TO 50 OF ALL FOREIGN DIRECT INVESTMENTS THERE. UK PORTFOLIO INVESTMENT WAS ALSO SUBSTANTIAL. THE UK WAS NUMBER THREE SUPPLIER OF GOODS TO S.A. AND NUMBER TWO BUYER FROM S.A. PRESENTLY THERE WERE ABOUT 800,000 UK SUBJECTS LIVING IN S.A.

30. BRITISH SAID COULD NOT ACCEPT UN CHAPTER VII DETERMINATION AGAINST S.A. SINCE IT COULD THEN BE INTERPRETED AS BEING APPLICABLE ALSO TO OTHER COUNTRIES WITH HUMAN RIGHTS PROBLEMS AND BECAUSE IT WAS TO BE EXPECTED THAT SUCH A DETERMINATION WOULD LEAD TO A COMPLETE ECONOMIC EMBARGO AGAINST S.A. IN VIEW OF THE LARGE BRITISH ECONOMIC PRESENCE IN S.A., UK OFFICIALS FELT THAT EFFORTS TO ENFORCE A GENERAL ECONOMIC EMBARGO WOULD BE TANTAMOUNT TO "SELF MUTILATION." BRITISH SAID DOMESTIC INDUSTRY AND EC GENERALLY DEPENDED HEAVILY ON PUBLIC CREDIT SUPPORT AND DRASTIC ACTIONS WOULD LEAD TO S.A. RETALIATION. UK COULD NOT SUPPORT "INTERFERENCE" WITH A. TRADE; B. EXPORT PROMOTION MEASURES; OR C. PUBLIC SUPPORTED CREDIT FACILITIES.

31. WHAT WAS "THINKABLE" TO UK WOULD BE SOME LIMITATION OF GOVERNMENT SUPPORT OF LONG TERM CREDIT OR CURTAILMENT OF INVESTMENT INSURANCE LINKED TO PUBLIC STATEMENT THAT CONFIDENTIAL

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GOVERNMENT NO LONGER ENCOURAGED INVESTMENT IN S.A. NO CHANGES IN ECONOMIC POLICY COULD BE CONTEMPLATED EXCEPT IN MULTILATERAL CONTEXT. MOST CHANGES WOULD REQUIRE PARLIAMENTARY DEBATE AND APPROVAL. IT WAS IMPORTANT, THE BRITISH NOTED, TO DISTINGUISH BETWEEN WHAT THE MEMBERS CAN AND CANNOT DO AND TO HAVE MEMBERS RECOGNIZE NEED FOR "EQUALITY OF SACRIFICE."

32. U.S. REPRESENTATIVES IN COURSE OF MEETING EXPRESSED AGREEMENT WITH GOAL OF COORDINATING POSITIONS ON PROPOSED ACTIONS, NOTED THAT U.S. HAD IMPORTANT SPECIAL INTERESTS

IN AFRICA TO CONSIDER AND INDICATED U.S. COULD NOT AGREE TO IRON CLAD "LOCK STEP" APPROACH, ESPECIALLY IF THIS MEANT ACTIONS CARRIED OUT WOULD BE LEAST COMMON DENOMINATOR OF POSSIBLE MOVES. ALSO, NOTING EACH GOVERNMENT HAD UNIQUE FORMS OF RELATIONSHIP WITH S.A., WE SUGGESTED IT MIGHT BE PREFERABLE TO HANDLE RELATIONS IN DIFFERENT WAYS ALTHOUGH IMPORTANT FOR US TO APPRISE ONE ANOTHER FULLY TO ACHIEVE MAXIMUM COORDINATION AND IMPACT ON S.A. CANADIANS GENERALLY SUPPORTED THIS LINE. U.S. ALSO NOTED ISSUE OF "EQUALITY OF SACRIFICE" RAISED BY U.K. SHOULD NOT BE RAISED TO LEVEL OF GUIDING PRINCIPLE; EFFORTS TO HAVE S.A. DO AWAY WITH SYMPTOMS OF APARTHEID SUCH AS JOB RESERVATION ACT MIGHT NOT BE SIGNIFICANT IF LED TO ELIMINATION OF PETTY DISCRIMINATION AND LEFT UNDISTURBED BASIC POLITICAL DISCRIMINATION.

33. AT CONCLUSION U.S. DECLINED FRENCH DELEGATE'S SUGGESTION THAT MEMBERS AGREE ON THE SPOT TO OPPOSE ANY MOVE IN U.N. TO CALL FOR ECONOMIC SANCTIONS AGAINST S.A. UNDER CHAPTER VII OF UN CHARTER. (THE U.K. AND GERMANY SEEMED PREPARED TO JOIN FRANCE IN RULING OUT CHAPTER VII ACTION.) WE SAID WE COULD NOT EXCLUDE SUCH ACTION ABSOLUTELY UNDER CONFIDENTIAL

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ALL CIRCUMSTANCES EVEN THOUGH WE WOULD ENTERTAIN ANY SUCH MOVE MOST RELUCTANTLY.

34. THE FRENCH THEN PRESSED FOR ANOTHER MEETING OF THE FIVE IN ABOUT TWO WEEKS TIME. THE U.K. DELEGATES SAID THEY WOULD NEED MORE TIME INASMUCH AS SOME ISSUES HAD TO BE CONSIDERED AT CABINET LEVEL. WE AGREED TO COMMUNICATE WITH EACH OTHER PROMPTLY ON FURTHER MEETING INCLUDING IF POSSIBLE AGENDA AND NEED TO EXCHANGE PAPERS BEFOREHAND.

35. ACTION REQUESTED: WOULD WELCOME REACTION EMBASSIES PARIS, BONN, OTTAWA AND LONDON ON POLICY POSITIONS TAKEN AND ECONOMIC RELATIONSHIPS DESCRIBED AT MEETING. FOR YOUR INFORMATION WE ARE CONTEMPLATING ANOTHER MEETING WITHIN TWO TO THREE WEEKS, PROBABLY IN NEW YORK (DESPITE BRITISH PROBLEM) WITH CONCENTRATION ON DISCUSSION DRAFT U.N. RESOLUTIONS WHICH MIGHT BE TABLED AND HOW WE SHOULD COORDINATE OUR POSITIONS. VANCE

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